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POLICY

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U.S. - Peru Bilateral Trade Reach Another Record

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Report Highlights:

The U.S.–Peru Trade Promotion Agreement (PTPA) celebrated its tenth anniversary on February 1, 2019. Bilateral trade in agricultural and related products in 2018 reached an all-time record \$3.9 billion, with record exports on both sides. U.S. agricultural exports to Peru continued setting records with \$1.4 billion in 2018, increasing eight percent in value over 2017. Peruvian agricultural exports to the United States increased in value by 13 percent in 2018, reaching an all-time record \$2.5 billion.

February 2019 marked the tenth anniversary of the U.S.–Peru Trade Promotion Agreement (PTPA).

Bilateral agricultural trade continues expanding as a result of this agreement. In 2018, bilateral trade in agricultural and related products reached an all-time record \$3.9 billion, with record exports on both sides.

U.S. agricultural exports to Peru totaled a record \$1.4 billion in 2018, increasing eight percent in value from 2017 trade figures. Bulk commodities led U.S. agricultural exports to Peru, accounting for 55 percent of the total. United States corn led U.S. exports to Peru, reaching \$507 million. Growing demand from the Peru's animal feed industry, particularly its poultry sector, are driving up corn demand. United States cotton exports to Peru grew 16 percent to \$113 million in 2017, largely due to higher international prices in 2018. In 2018 soybean exports from the United States to Peru more than doubled in value from 2017, reaching \$93 million. This entry into the Peruvian market and growth is due to the establishment of local full fat soybean meal operations for animal feed. Wheat, however, is an underperformer, with U.S. exports to Peru falling 43 percent in value from 2017 to \$54 million. Stiff competition from other origins, mainly Canada and Argentina, was the main factor in this drop.

The export value of U.S. intermediate agricultural products to Peru increased by 36 percent in 2018, led by soybean meal and soybean oil, valued at \$83 and \$70 million, respectively. A highlight in this group is Distillers' Dried Grain Solubles (DDGs), which totaled \$6.4 million in U.S. exports. DDGS could reach up to five percent of total Peruvian domestic feed consumption in the coming years, a share that the United States is well positioned to fill.

U.S. consumer oriented product exports to Peru continue their upward trend, once again setting a record totaling \$266 million in exports in 2018. Beef and pork exports reached \$25 million and a record \$13 million, respectively. Other important products in this group are poultry (\$34 million), dairy (\$58 million; mostly dried milk powder and whey), and prepared foods (\$35 million).

Peru has ongoing countervailing duty investigations against U.S. ethanol and corn exports. The ethanol case is currently under appeal. In the interim, duties of around five percent are being applied to U.S. ethanol exports to Peru. Nonetheless, U.S. ethanol exports to Peru increased nine percent in 2018, reaching \$78 million in value. The corn countervailing duty case is in the beginning stages. FAS Lima does not anticipate negative impacts on trade during the course of the proceedings.

Peruvian agricultural exports to the United States increased 13 percent in value in 2018, reaching an all-time record of \$2.5 billion. Consumer-oriented products led Peru's exports to the United States, accounting for 72 percent of total agricultural exports. Fresh fruits and vegetables led this sector with a record \$984 million and \$307 million in exports, respectively. Notable and relatively new entrants in the fresh fruit category include blueberries, avocados, and grapes. Other relevant products were processed fruits and vegetables, which totaled \$355 million.

Coffee led Peru's bulk commodity exports to the United States, totaling \$221 million in 2018, down four percent from 2017 due to low international prices. Cacao exports to the United States fell 21 percent in 2017 to \$12 million. Quinoa exports to the United States recovered somewhat, reaching \$53 million in 2017, still lower than the 2014 record of \$88 million.